

Message Text

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ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-04 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 SAJ-01 SAM-01 EB-07 COME-00 OMB-01 TRSE-00

STR-04 ACDA-05 /087 W

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R 080843Z OCT 75

FM USLO PEKING

TO SECSTATE WASHDC 4526

INFO AMCONSUL HONG KONG

AMEMBASSY WARSAW

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E.O. 11652: N/A

TAGS: ETRD CH PL

SUBJECT: CHINA'S TRADE WITH POLAND AND EAST EUROPE

REF: PEKING 1626

1. DURING CALL BY USLO OFFICERS AUGUST 7, POLISH COMMERCIAL COUNSELLOR KOWALSKI PROVIDED ADDITIONAL DETAILS (SEE REFTEL) ON THIS YEAR'S SINO-POLISH TRADE AGREEMENT AND DISCUSSED OTHER ASPECTS OF CHINA'S COMMERCIAL RELATIONS WITH POLAND AND OTHER EAST EUROPEAN COUNTRIES.

2. SINO-POLISH TRADE - THE 1975 ANNUAL SINO-POLISH TRADE AGREEMENT PROVIDES FOR 113.1 MILLION (300 MILLION SWISS FRANCS) IN TOTAL TRADE WITH \$53.9 MILLION IN POLISH EXPORTS AND \$59.2 MILLION IN IMPORTS. EACH YEAR AN ATTEMPT IS MADE TO BALANCE TRADE AND THE PLANNED CHINESE SURPLUS WILL MAKE UP FOR \$5.2 MILLION (SF 14 MILLION) PRC DEFICIT IN ACTUAL SHIPMENTS IN 1974. AFTER SEVERAL MONTHS OF NEGOTIATIONS, LIMITED OFFICIAL USE

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HOWEVER, KOWALSKI SAID IT NOW APPEARS THAT CON-

TRACTS WORTH ONLY ABOUT \$94.3 MILLION WILL BE CONCLUDED THIS YEAR.

3. ACCORDING TO KOWALSKI, THE FAILURE TO CONCLUDE CONTRACTS FOR ALL ITEMS LISTED IN THIS YEAR'S AGREEMENT RESULTED FROM CHINESE INSISTANCE ON OBTAINING HIGHER THAN WORLD MARKET PRICES FOR THEIR EXPORTS. HE SAID POLAND HAD ENCOUNTERED PROBLEMS WITH CHINESE PRICES IN THE PAST, BUT WERE HAVING UNUSUAL DIFFICULTIES IN CONCLUDING CONTRACTS THIS YEAR. KOWALSKI HAD NO EXPLANATION FOR THE CHINESE ATTITUDE, BUT EXPRESSED THE BELIEF THAT THE FOREIGN TRADE CORPORATIONS WERE ACTING UNDER INSTRUCTIONS FROM THE PRC MINISTRY OF FOREIGN TRADE TO DRIVE UNUSUALLY HARD BARGAINS IN THIS YEAR'S NEGOTIATIONS.

4. PRC TRADE WITH EAST EUROPE - DESPITE THE PROBLEMS IN COMPLETING THIS YEAR'S AGREEMENTS, KOWALSKI BELIEVES THE CHINESE ARE INTERESTED IN INCREASING THEIR TRADE WITH EAST EUROPE, ESPECIALLY IN INDUSTRIAL GOODS. IN ORDER TO AVOID PAYING INFLATED PRICES FOR WESTERN MACHINERY AND EQUIPMENT, KOWALSKI SAID THE CHINESE ARE NOW SEEKING TO BUY EAST EUROPEAN EQUIVALENTS. AS AN EXAMPLE HE SAID THIS YEAR POLAND WILL EXPORT SUCH NEW ITEMS AS 30 TON MOBILE CRANES AND FORK LIFT TRUCKS. IN DEALING WITH EAST EUROPE, KOWALSKI SAID THE CHINESE HAVE A POLITICAL PREFERENCE FOR CERTAIN COUNTRIES AND PLACED EAST GERMANY BEHIND ROMANIA ON THE LIST OF MOST FAVORED PARTNERS.

5. SHIPPING - IN ADDITION TO TRADE, KOWALSKI SAID HIS COUNTRY ALSO HAS SOME INVISIBLES IN ITS BALANCE-OF-PAYMENTS WITH THE PRC. THESE INCLUDE EARNINGS FROM REPAIRING PRC SHIPS IN POLAND AND PROFITS FROM THE JOINT SINO-POLISH SHIPPING COMPANY, CHIPOLBROK. KOWALSKI DESCRIBED THE COMPANY AS A HIGHLY PROFITABLE AND EXPANDING VENTURE WHICH NOW OPERATED 18 GENERAL CARGO VESSELS (14 POLISH FLAT, 4 PRC) IN THE TWELVE TO TWENTY THOUSAND TON CLASS. THE LINE OPERATED A REGULARLY SCHEDULED SERVICE BETWEEN POLAND AND THE PRC CARRYING NOT ONLY BILATERAL CARGO BUT ALSO SHIP-LIMITED OFFICIAL USE

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MENTS FROM OTHER COUNTRIES IN BOTH HALVES OF EUROPE. MAIN OFFICE OF THE FIRM IS IN SHANGHAI WITH BRANCHES IN CANTON AND GDYNIA. BUSH

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DATA, COMMUNIST COUNTRIES TRADE, TRADE AGREEMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 08 OCT 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: WorrelSW
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975PEKING01898
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750350-0460
From: PEKING
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751070/aaaackgt.tel
Line Count: 111
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 PEKING 1626
Review Action: RELEASED, APPROVED
Review Authority: WorrelSW
Review Comment: n/a
Review Content Flags:
Review Date: 10 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <10 JUN 2003 by izenbei0>; APPROVED <13 NOV 2003 by WorrelSW>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CHINA'S TRADE WITH POLAND AND EAST EUROPE
TAGS: ETRD, CH, PL, XH
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006